



National Association of
Children's Hospitals

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**STATEMENT
FOR THE HEARING RECORD
“MEDICAID TODAY: THE STATE’S PERSPECTIVE”**

**SUBMITTED TO THE
SUBCOMMITTEE ON HEALTH
HOUSE ENERGY & COMMERCE COMMITTEE**

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The National Association of Children’s Hospitals (N.A.C.H.) is a not-for-profit trade association, representing more than 120 children’s hospitals across the country. Its members include independent acute care children’s hospitals, acute care children’s hospitals organized within larger medical centers, and independent children’s specialty and rehabilitation hospitals. We appreciate the opportunity to submit this statement for the record outlining the critical role Medicaid plays in the lives of the nation’s children and the hospitals that care for them.

N.A.C.H member hospitals strive daily to fulfill their four-fold missions of clinical care, education, research, and advocacy devoted to the health and well being of all of the children in their communities. Children’s hospitals are regional and national centers of excellence for children with serious and complex conditions. They are centers of biomedical and health services research for children, and they serve as the major training centers for future pediatric researchers, as well as a significant number of our children’s doctors. In addition, these institutions are integral to the pediatric health care safety net, providing both inpatient and outpatient care to a disproportionate share of children enrolled in Medicaid.

In effect, children’s hospitals are an indispensable national resource for the health care of all children. Although they represent only 3% of all hospitals in the country, they provide nearly 40% of the hospital care required by children assisted by Medicaid, and most of the hospital care for children with serious medical conditions, regardless of their source of health coverage. In addition, they train most of the nation’s pediatricians and pediatric subspecialists, and they house the nation’s leading centers of pediatric research. And they are leaders in addressing the public health needs of children, such as injury prevention.

Medicaid: Essential to Low-Income Children and Working Families

The future of Medicaid is a topic of special concern to the nation's children's hospitals because of the 44.3 million Medicaid beneficiaries in FY 2000, more than half – 22.7 million – were children under age 19. In fact, Medicaid is the nation's single largest health care program for children, financing health care for one in four children. One in three children depends on Medicaid or SCHIP for health coverage.

In addition, Medicaid's health benefits are designed specifically to meet children's unique health care needs, including children with disabilities and other special needs. Preservation of Medicaid's federal guarantee of health coverage appropriate for children, including its Early and Periodic Screening, Diagnosis, and Treatment (EPSDT) benefits, is an essential part of sustaining the pediatric health care safety net.

EPSDT assures that low-income children will have medically necessary benefits that incorporate their unique needs. These can include preventative services, developmental/habilitation services for very young children, eyeglasses and hearing aids to ensure that children may learn, as well as prostheses, orthotics and wheelchairs that can be provided and changed as children grow.

Medicaid coverage of children is also vital to working families. Of the children covered by Medicaid or SCHIP in 2001, 75% had at least one parent in the workforce.

Medicaid: Essential Low Cost Coverage for Children

It is important to recognize that Medicaid coverage for children is low cost. Although children represent more than half of all Medicaid beneficiaries, in FY 2000 children under 19 (including SSI disabled children) accounted for only 21% of Medicaid spending. Not only are children a relatively inexpensive population to cover, but children's coverage in Medicaid is not fueling Medicaid's spending growth. In fact, Medicaid spending for children accounts for only 10% of the annual growth in total Medicaid spending. In addition, more than 50% of children in Medicaid are already enrolled in managed care plans, and Medicaid per capita spending for children is comparable to private coverage.

Medicaid and Disproportionate Share Hospital (DSH) Payments: Essential to Children's Hospitals

Medicaid is the single largest program of public assistance for children's health care and the single largest payer of care delivered by children's hospitals. Although only 3% of all hospitals, children's hospitals on average devote more than 40% of their inpatient care to children assisted by Medicaid. Children's hospitals also provide the majority of inpatient care required by children with serious illnesses and conditions. For example, children's hospitals perform 99% of organ transplants and 88% of cardiac surgeries, and provide 88% of the inpatient care for children with cystic fibrosis. In some regions, they are the

only source of pediatric specialty care, which makes children's hospitals essential not only to the children in their own communities, but to all children across the country.

Medicaid generally falls far short of reimbursing children's hospitals for the cost of providing these essential services, so Medicaid Disproportionate Share Hospital (DSH) payments, which average more than \$6 million per children's hospital, are extremely important to the financial health of these institutions. In hospital FY 2001, Medicaid, including DSH payments, on average reimbursed only 84% of the costs of care in children's hospitals, a percentage that fell to 76% without DSH payments. This crucial source of funding for children's hospitals aids in their ability to serve all children. Cutting these funds, or even worse, eliminating the program altogether, will severely damage the nation's health care safety net for children.

Medicaid: Essential to Children With Special Health Care Needs

The health care needs of all children are special and distinct from those of adults, but the term "children with special health care needs" (CSHCN) refers to a group of children who require specialized health care, habilitation, and rehabilitation services. Frequently children with special health care needs are limited - or have potential limitations - in their ability to function because of a chronic or congenital illness, a major trauma, a developmental disability, or exposure to a serious or life-threatening condition.

Because they are devoted to serving all children, children's hospitals dedicate a disproportionately large amount of their care to children with special health care needs. Although children with congenital or chronic conditions represent only small fraction of all children, children's hospitals devote extensive resources to this population. For example, they devote 60% of inpatient admissions, 70% of inpatient days, and 80% of inpatient dollars to children with one or more chronic or congenital conditions.

For CSHCN, simply having access to health insurance may not be adequate for their healthcare needs because health insurance policies, like children, come in all sizes and shapes. Private insurance often lacks the comprehensive benefits needed by this population, such as physical and speech therapy, durable medical equipment, behavioral health services, home health care and some medications. Benefits may require that an individual be improving, a definition that doesn't fit for a child with cerebral palsy who may need a service to maintain function or a child with a congenital condition who may need a service to maximize his or her developmental potential.

But Medicaid benefits were designed to reflect the unique needs of children, including CSHCN. Preservation of the Medicaid program's federal guarantee of accountability for children's health insurance needs under the Early and Periodic, Screening, Diagnosis and Treatment (EPSDT) benefit package is an essential part of sustaining the health care safety net for children. EPSDT requires that, only for children, states cover all Medicaid services that are determined to be medically necessary by their physician during a regularly scheduled EPSDT screening visit. States are not, however, required to provide this range of services to populations other than children.

Medicaid: Essential to All Children

All children benefit from the work carried out at children's hospitals – regardless of whether they ever step foot inside their doors. The nation's children's hospitals serve all children by fulfilling a variety of critical public needs – training most of our nation's doctors devoted to children, providing continuing advancements in children's care, performing some of the most important, cutting-edge pediatric research and serving as centers of excellence for the sickest children in the country.

The specialty and critical care services the children's hospitals maintain carry costs that are not completely covered. But this "stand by" capacity assures that these services will be there when any child needs them. Because Medicaid is a vital revenue stream for children's hospitals, any single reduction in funding presents financial difficulties, which in turn can lead to curtailing or elimination of programs – programs relied upon not only by Medicaid-dependent children, but all children.

As the committee discusses different proposals to restructure the Medicaid program, it is important that particular attention be given to the unique ramifications these proposals will have on children and children's hospitals' ability to serve them. Although tremendous progress has been made in insuring children, Medicaid, along with the State Children's Health Insurance Program (SCHIP), holds the as yet unfulfilled promise of removing most children from the ranks of the uninsured. In 2000, of the 8.9 million uninsured children under age 18, 77% or 6.8 million were eligible for, but unenrolled, in Medicaid or SCHIP.

At a time when the number of uninsured is again rising, no reform should threaten the progress Congress has made in insuring children. Rather, reforms should seek to cover those children who are eligible, but remain unenrolled.

Please make sure that any reform protects Medicaid's low-cost coverage for children, and that it fulfills the program's potential to cover most of the nation's uninsured children.